

## **MINORITY BUSINESS DEVELOPMENT (MBD) LOAN PROGRAM**

The Minority Business Development (MBD) loan program is designed to provide financial assistance for the start-up and expansion of minority owned businesses in Wisconsin. This program provides low interest loans to assist in the development of minority owned companies.

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### **ELIGIBLE APPLICANTS:**

Eligible applicants are Minority Businesses that have a comprehensive business plan fully describing the proposed project.

- Minority Businesses are defined as businesses 51% owned and controlled by any of the following: Black, Hispanic, American Indian, Eskimo, Asian Pacific, Asian Indian, Aleut, or Native Hawaiian.
- If you do not currently have a business plan, the **Early Planning Grant (EPG)** program may be able to provide you with a grant to develop a comprehensive business plan.
- If you do not qualify for an Early Planning Grant, you may qualify for an **Entrepreneurial Training Grant (ETG)**. The Department of Commerce can provide applicants with a grant to help cover a portion of the cost of attending Small Business Development Center's (SBDC) new Entrepreneurial Training Course.

### **ELIGIBLE ACTIVITIES:**

Eligible Project Costs are limited to fixed asset financing and working capital. Examples of Eligible Project Costs include:

- Land
- Construction
- Acquisition of Existing Businesses
- Purchase of Equipment
- Working Capital

Note: Refinancing is not an eligible activity.

### **FINANCE TERMS AND CONDITIONS:**

#### **Interest Rate:**

The Department of Commerce will provide below market interest at a fixed rate for the life of the loan. (Typically 4%)

#### **Terms:**

1. Real Estate: 10 to 15 years
2. Equipment: 5 to 10 years
3. Working Capital: 5 to 7 years

#### **Collateral:**

The Department of Commerce will seek the best collateral position possible to ensure that all MBD loans are adequately secured.

#### **Repayment:**

Monthly payments of the principal and interest are required.

#### **Guarantees:**

Personal guarantees are required.

### **FUNDING AVAILABILITY:**

A loan review process that uses the underwriting criteria detailed on page 2 of this document determines the level of participation by Commerce. The goal of Commerce is to encourage partnerships among organizations and businesses to promote economic development in the state. Applicants should work with a bank and a local development corporation to structure a loan package. The MBD loan may not be the sole source of financing, which makes this a gap financing loan program. Ideally, applicants should have some equity in the project.

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An ideal example of a \$100,000 capital investment requirement:

Personal Equity	\$ 5,000
Bank	45,000
Development Corporation	25,000
MBD Loan	<u>25,000</u>
TOTAL	\$100,000

### **UNDERWRITING CRITERIA:**

Underwriting criteria considered in the loan review process are:

#### **PROJECT VIABILITY**

- **Work Experience** - Does the applicant have at least 2 years of relevant work experience?
- **Education/Training** - Is the applicant's education and/or training relevant to the proposed business venture?
- **Available Capital/Funding** - Does the applicant have the cash reserves (equity) necessary to invest in the proposed business? Has a local bank and/or other local organization made a funding commitment to the project?

#### **OTHER FACTORS**

- **Community Benefit** – Will there be a positive economic impact upon the local community?
- **Jobs** – How many jobs will be created/retained and what will be the wage rate and benefit package?

- **Competition** – Will the proposed business have a negative impact upon other local businesses?
- **Area Demographics** - Will the proposed business be located in a target area?

### **THE APPLICATION PROCESS:**

The MBD loan application process involves three steps:

1. Interested applicants must meet the definition of a Minority Business described on page 1 of this document.
2. The applicant will contact a Commerce Bureau of Minority Business Representative (see below) to discuss the project and obtain application materials.
3. The applicant will submit the application to Commerce where a Finance Specialist will underwrite the project and make a funding recommendation to the Minority Business Development Board. The Minority Business Development Board will:
  - A. Approve the MBD loan, in which case the applicant will enter into a written loan agreement with Commerce
  - OR**
  - B. Deny the proposal, in which case the applicant will receive a letter outlining the reasons for denial.

To receive further information about the Minority Business Development (MBD) loan program, you may contact the Bureau of Minority Business Development at:

**Madison Office:  
Bureau of Minority Business Development  
201 West Washington Avenue  
P.O. Box 7970  
Madison, WI 53707-7970**

**Phone: (608) 267-9550  
Fax: (608) 267-2829**